

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 EUR-12 FRB-03 INR-10 IO-13 NEA-10 NSAE-00
OPIC-03 LAB-04 SIL-01 AGRE-00 DLOS-09 ACDA-12
L-03 NRC-05 OES-07 SOE-02 DODE-00 DOE-11 CEQ-01
SNM-05 PM-05 H-01 PA-01 /181 W
-----010411 240340Z /14

R 240125Z FEB 78

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 2513

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMEMBASSY PARIS

AMCONSUL PERTH

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USOECD

E.O. 11652: N/A

TAGS: EALR, ECON, EGEN, AS

SUBJECT: ECONOMIC ASPECTS OF ADDRESS OF GOVERNOR GENERAL AT
OPENING OF 31ST PARLIAMENT, FEBRUARY 21, 1978

1. SUMMARY: ADDRESS BY GOVERNOR GENERAL SIR ZELMAN COWEN,
AT OPENING OF 31ST AUSTRALIAN PARLIAMENT SET FORTH FRASER
GOVERNMENT'S STRONG EMPHSIS ON ECONOMIC MATTERS AND GAVE
EVERY INDICATION THAT FRASER EXPECTS TO FOLLOW SAME BASIC
ECONOMIC LINE GOA HAS FOLLOWED SINCE ITS BIRTH IN NOVEMBER
1975; I.E. MAIN EMPHASIS TO BE ON FIGHT AGAINST INFLATION,
WITH NO RPT NO NEW OR SIGNIFICANTLY INCREASED EMPLOYMENT
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STIMULATION PROGRAMS ANNOUNCED. MOST LEGISLATION PLANS
ANNOUNCED IN SPEECH HAD ALREADY BEEN DISCUSSED BEFORE,
DURING OR FOLLOWING RECENT ELECTION. SOME OBSERVERS SEE
SPEECH AS INDICATION OF FRASER'S DETERMINATION GIVE
STRONG SIGNAL TO HIS BACK BENCH THAT HE HAS NO
INTENTION GIVE WAY TO PRESSURE AND TAKE STIMULATORY
ACTIONS AS EXPENSE OF FIGHT AGAINST INFLATION. END SUMMARY.

2. WITHIN FIRST FEW PARAGRAPHS OF BEGINNING OF RITUAL SPEECH BY GOVERNOR GENERAL AT TRADITIONAL OPENING OF PARLIAMENT, FRASER GOVERNMENT TOOK FULL ADVANTAGE OF ITS SMASHING VICTORY IN RECENT ELECTIONS BY ANNOUNCING THAT GOVERNMENT'S RESOLVE IS TO "STRENGTHEN BY THIS DECISIVE EXPRESSION OF THE PEOPLE'S CONVICTION THAT THE BASIC DIRECTION OF THE GOVERNMENT'S POLICIES REFLECT THEIR ASPIRATIONS AND INTERESTS."

3. GOVERNMENT'S PRIORITIES IN ECONOMIC SPHERE WERE ANNOUNCED TO BE: (A) TO BUILD ON PROGRAM MADE TO DEFEAT INFLATION, AND, ALMOST IN A CLICHE AFTERTHOUGHT, TO DEFEAT UNEMPLOYMENT AND RESTORE FULL ECONOMIC HEALTH TO COUNTRY; (B) TO PROMOTE DEVELOPMENT OF AUSTRALIA'S RESOURCES AND ENLARGE EXTERNAL TRADE; (C) TO MAINTAIN POLICIES WHICH HAVE HERALDED "EXCESSIVE" GROWTH IN GOVERNMENT BUREAUCRACY AND EXPENDITURE.

4. SIR ZELMAN THEN TURNED TO PARTICULAR MEASURES GOVERNMENT PROPOSED TO MEET THESE PRIORITIES: (A) AS BACKGROUND HE SAID CONSIDERABLE PROGRESS ALREADY MADE; INFLATION HAS BEEN SHARPLY REDUCED, INTEREST RATES HAVE BEGUN TO FALL, GOVERNMENT SPENDING BROUGHT UNDER CONTROL, BUSINESS INVESTMENT IS REVIVING, EXCESSIVE TAX BURDEN HAS BEEN RELIEVED AND MORE FLEXIBLE REGIME FOR MANAGING LIMITED OFFICIAL USE

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EXCHANGE RATE HAS PROVED ITS WORTH. (B) ECONOMIC POLICY WILL CONTINUE TO BE BASED ON RIGOROUS RESTRAINT ON GOVERNMENT EXPENDITURE SO AS TO PROVIDE FOR "LONGER TERM" EXPANSION OF PRIVATE SECTOR. (C) MONETARY POLICY WILL ENABLE SUSTAINED GROWTH IN ECONOMIC ACTIVITY AND CONTINUE TO BEAR DOWN ON INFLATION. (D) CONTINUED ADVOCACY BEFORE CONCILIATION AND ARBITRATION COMMISSION OF POLICY OF WAGES CONSTRAINT. (E) FIRM ACTION TO SUPPORT AUSTRALIA'S EXTERNAL ECONOMIC POSITION, INCLUDING ON-GOING PROGRAM OF BORROWING OVERSEAS. (F) REJECTION OF NOTION THAT THERE CAN BE TRADE-OFF BETWEEN INFLATION AND UNEMPLOYMENT, WITH HIGHEST PRIORITY BEING GIVEN TO REDUCING INFLATION, AS ONLY MANNER REALLY TO REDUCE UNEMPLOYMENT, (G) AFTER REFERENCE TO RECENT TAXATION ACTIONS, GOVERNMENT ANNOUNCED IT PROPOSED TO LIVE UP TO ELECTION PROMISE TO EXEMPT ALL DECEASED ESTATES AND GIFTS PASSING BETWEEN HUSBAND AND WIFE, AND PARENT AND CHILD FROM FEDERAL ESTATE AND GIFT DUTY AS OF NOVEMBER 21, 1977 AND TO ABOLISH SUCH DUTIES AS OF JULY 1, 1979. (H) GOVERNMENT WILL CONTINUE TO GIVE MANUFACTURING INDUSTRY "THE PROTECTION IT NEEDS" AND WITH HELP OF AUSTRALIAN MANUFACTURING COUNCIL, AND BY STUDY GROUP

UNDER DIRECTION OF SIR JOHN CRAWFORD WILL FORMULATE A
"CO-ORDINATED APPROACH" FOR ITS LONGER TERM DEVELOPMENT.
(I) FURTHER AMENDMENT TO INDUSTRIES ASSISTANCE COMMISSION
ACT WILL BE INTRODUCED. (J) LEGISLATION TO BE INTRODUCED
TO BETTER ENABLE COMMONWEALTH DEVELOPMENT BANK EXTEND
LENDING TO SMALL BUSINESSES. (K) IN COOPERATION WITH
STATES TO INTRODUCE EFFECTIVE PLAN FOR NATIONAL
REGULATION OF COMPANIES AND SECURITY INDUSTRY. (K)
EMBARCATION ON PROGRAM TO INCREASE EXPORTS, INCLUDING
PRESSING FOR FAIR ACCESS TO MAJOR TRADING BLOCKS,
SEEKING WAYS AND MEANS TO FURTHER PROCESSING IN
AUSTRALIA OF NATURAL RESOURCES, INTRODUCTION OF LEGIS-
LATION TO ESTABLISH AN EFFECTIVE EXPORT INCENTIVES

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PM-05 H-01 PA-01 SNM-05 /181 W
-----010552 240339Z /14

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SCHEME AND AN AUSTRALIAN OVERSEAS PROJECTS CORPORATION
(THIS HAS BEEN IN TALKING STAGE SINCE ALMOST BEGINNING
OF FRASER GOVERNMENT'S TENURE). (L) CONTINUED ENCOURAGE-
MENT OF NORTH WEST SHELF AND OTHER NATURAL RESOURCES
PROJECTS. (M) INTRODUCTION OF LEGISLATION FOR A TAX
REBATE SCHEME FOR SHAREHOLDERS SUBSCRIBING FUNDS FOR
OFF-SHORE PETROLEUM DEVELOPMENT AND EXPLORATION. (N)

LEGISLATION TO ENABLE THE PROCLAMATION OF AN AUSTRALIAN FISHING ZONE COVERING ALL LIVING MARINE RESOURCES OUT TO 200 NAUTICAL MILES, WHILE ALSO SEEKING TO CONCLUDE DISCUSSIONS WITH STATES ON COOPERATIVE REGULATION OF ALL OTHER OFF-SHORE MATTERS. (O) INTRODUCTION OF LEGISLATION TO LICENSE TRAVEL AGENTS. (P) REFERENCE TO DECISION TO PROCEED WITH DEVELOPMENT AND EXPORT OF URANIUM FOR LIMITED OFFICIAL USE

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PEACEFUL PURPOSES UNDER STRICTEST SAFEGUARDS, TAKING FULL ACCOUNT OF NEEDS TO PROTECT ENVIRONMENT AND ABORIGINAL COMMUNITIES. (Q) INTRODUCTION OF NATIONAL ENERGY CONSERVATION PROGRAM IN CONJUNCTION WITH STATES. (R) CONTINUED DROUGHT RELIEF PROGRAM. (S) INTRODUCTION OF SPECIAL PROGRAM OF ASSISTANCE TO BEEF PRODUCERS, ESPECIALLY TO FIND WAYS TO OFFSET UNCERTAINTIES OF EXPORT MARKETS. (T) INTRODUCTION OF LEGISLATION TO SUBSIDIZE FREIGHT DIFFERENTIAL ON PETROLEUM PRODUCTS IN COUNTRY AREAS (ANOTHER ELCTION PROMISE). (U) MEASURES TO STRENGTHEN CAPACITY OF FEDERAL BUREAU OF NARCOTICS TO COUNTER ILLEGAL DRUG TRAFFICKING AND TO COORDINATE MORE CLOSELY INTERNATIONAL MEASURES TO CONTROL DRUG TRADE. (V) MAINTENANCE AND STRNGTHENING OF TAX SHARING ARRANGEMENT WITH STATE AND LOCAL GOVERNMENTS. (W) INCREASED RESEARCH IN "AUSTRALIAN ANTARCTIC TERRITORY" AND WORK TOWARDS ESTABLISHMENT OF INTERNATIONAL ARRANGEMENTS FOR THE CONSERVATION OF ANTARCTIC MARINE RESOURCES. (X) COMMENCEMENT OF PUBLIC INQUIRE INTO WHALES AND WHALING. (Y) INTRODUCTION OF LEGISLATION TO ESTABLISH AUSTRALIAN SCIENCE AND TECHNOLOGY COUNCIL AS A STATUTORY BODY. (Z) EXAMINATION OF REPORT ON CSIRO AND INTRODUCTION OF LEGISLATION TO AMEND SCIENCE AND RESEARCH ACT.(AA) FINALLY, OUR GENTLE READER WILL SAY WITH A SIGH OF RELIEF, AMENDMENT OF TAXATION LEGISLATION TO ENCOURAGE GREATER COMMUNITY INVESTMENT IN AUSTRALIAN FILM INDUSTRY.

5. COMMENT: IT QUITE CLEAR FROM SPEECH THAT FRASER GOVERNMENT STILL INTENDS PLACE MAJOR EFFORT ON REDUCTION OF INFLATION, WITH ONLY RELATIVELY SMALL ATTENTION BEING GIVEN TO DESIRE TO REDUCE UNEMPLOYMENT, WITH NO MAJOR NEW PROGRAM BEING ANNOUNCED. PLAN FOR TAX REBATE TO SHARE-LIMITED OFFICIAL USE

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HOLDERS SUBSCRIBING FUNDS FOR OFF-SHORE DEVELOPMENT AND EXPLORATION ANNOUNCED BY GOVERNMENT LAST AUGUST.

STATEMENT ON EXCHANGE RATES AND INCREASED FOREIGN BORROWING
PERHAPS INTENDED TO BUTTRESS RECENT RATHER FLACID STATEMENT
ON SAME SUBJECT BY TREASURER HOWARE. STATEMENT ON
REGULATION OF COMPANIES AND SECURITIES INDUSTRY WILL
BE WELCOMED AND IT IS UNDERSTOOD THAT RESPONSIBLE
MINISTERS AT STATE AND FEDERAL LEVELS WILL SHORTLY BE
MEETING IN MELBOURNE TO WORK OUT DETAILS OF PLAN.
WHOE TENURE OF SPEEM ESPECIALLY STRONG ANTI-
INFLATIONARY STANCE, SEEN BY MORE THAN ONE OBSERVER AS
CLEAR EFFORT TO PRE-EMPT ANY PRESSURE FROM GOVERNMENT'S
OWN RANKS FOR A MORE STIMULATORY ECONOMIC POLICY BY
FIRMLY TYING FRASER GOVERNMENT INTO A CONTINUED FIGHT
AGAINST INFLATION. AS MIGHT BE EXPECTED, OPPOSITION
AND NOT A FEW PRESS OBERVERS HAVE LABELLED AS
"CALLOUS" ALMOST LIP SERVICE ATTENTION GIVEN BY
GOVERNMENT TO NEED TO REDUCE UNEMPLOYMENT. ONE PRESS
WAG OBSERVED THAT AFTER REFERRING TO "MY GOVERNMENT" MORE
THAN FORTY TIMES, SIR ZELMAN COWEN THOUGHT IT NECESSARY
TO COVER HIS BETS AND "LEAVE YOU IN THE FAITH THAT
DIVINE PROVIDENCE WILL GUIDE YOUR DELIBERATIONS AND
FURTHER THE WELFARE OF THE PEOPLE OF AUSTRALIA."
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ECONOMIC REPORTS, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CANBER01383
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780085-0437
Format: TEL
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780218/aaaaaozg.tel
Line Count: 246
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 20d938d0-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3492016
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC ASPECTS OF ADDRESS OF GOVERNOR GENERAL AT OPENING OF 31ST PARLIAMENT, FEBRUARY 21, 1978
TAGS: EALR, ECON, EGEN, AS, (COWEN, ZELMAN)
To: STATE USOECD
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/20d938d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014